

Frequently Asked Questions: Flood Insurance for Small Business Owners



Question: As a small business owner, should I consider buying flood insurance?

Answer: If your business could be damaged by rising water, you should consider buying flood insurance. Even if your business is not designated as a Special Flood Hazard Area by FEMA, it may be at risk for flooding. Talk to a trusted insurance advisor about your options.

Question: I own a small business but it is not in a flood zone. Why should I spend the money on a flood insurance policy?

Answer: Flooding is the nation's most common and costly natural disaster. It causes billions of dollars in damage each year. Floods can happen anywhere. More than 20% of flood claims come from properties outside of the high-risk flood zone. You should at least investigate and make an informed decision.

Question: I have always heard that flood insurance is very expensive, is that true?

Answer: The amount you will pay for flood insurance will depend on your risk. If your business is located in a high-risk area, you will pay more than a business that is in a moderate to low-risk area. Talk to your community's floodplain manager to find out your property's level of risk. In addition, your premiums are based on the elevation of the structure as well as the deductible you select.

Question: What does flood insurance cover?

Answer: Your policy terms will dictate what is covered should you incur damage from a flood. Typically it covers damage caused by a general and temporary condition of partial or complete inundation of two or more acres of normally dry land or of two or more properties from the overflow of inland or tidal waters; unusual and rapid accumulation or runoff of surface waters from any source; mudflow or collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood.

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Question: How do I purchase flood insurance?

Answer: You should talk with a trusted insurance advisor. Three options are available to business owners for flood insurance. The National Flood Insurance Program (NFIP) offers a policy of up to \$500,000 for the structure and \$500,000 for contents. Some private insurance companies offer a commercial policy. Finally, you may also purchase a policy from a surplus lines carrier if you are unable to purchase a policy from an admitted carrier.

Question: What is a surplus lines carrier?

Answer: These are companies that write insurance policies for risks where coverage is not otherwise available. The Maryland Insurance Administration has very limited jurisdiction over these policies.

Question: How long will it take for my policy to be effective?

Answer: Normally there is a 30-day waiting period for the policy to be effective. There is an exception if the purchase of flood insurance is in connection with extending or renewing a mortgage loan.

To find out more about the NFIP policy for businesses, go to:

<http://insurance.maryland.gov/Consumer/Documents/publications/FEMA-HFIAA-BusinessOwner-FloodInsurance.pdf>.

To find out more about Commercial Insurance go to:

<http://insurance.maryland.gov/Consumer/Documents/publications/commercialinsurance.pdf>.